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**MASTER
DECLARATION OF COVENANTS
CONDITIONS AND RESTRICTIONS
for SPRING MOUNTAIN RANCH**

THIS MASTER DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS for SPRING MOUNTAIN RANCH is made effective as of the 17th day of September, 1993, by Spring Mountain Ranch Limited Partnership; an Idaho limited partnership ("Grantor" and "Class B Member").

ARTICLE I: RECITALS

1.1 Property Covered. The Spring Mountain Ranch project, consisting of approximately 400 acres, was approved in 1991-1992 by the City of McCall for a maximum of 750 residential units, and a nine-hole golf course (the "Golf Course") as an addition to the existing McCall municipally-owned golf course. The property potentially subject to this Master Declaration of Covenants, Conditions and Restrictions for Spring Mountain Ranch (this "Master Declaration") is the property legally described in Exhibit A attached hereto and made a part hereof which property consists of approximately 300 acres approved by the City of McCall for the development of up to 750 residential units. The property described on Exhibit A may be made subject to this Master Declaration by Supplemental Declaration, and all property made subject to this Master Declaration shall be referred to as the "Property." The real property that makes up the Golf Course, approximately 100 acres, is not described on Exhibit A, and the Golf Course is not subject to this Master Declaration. Grantor intends to develop the Property in multiple development Phases, as defined below. Each Phase shall be subject to this Master Declaration through a Supplemental Declaration.

1.2 Residential Development; Golf Course. Spring Mountain Ranch is a residential development, which Grantor currently intends to develop in accordance with existing development approvals obtained by Grantor from the City of McCall, or any other development plan(s) for which Grantor may from time to time obtain approval (the "Development Plan"). The Property will be developed for single-family residential homes, including, without limitation, Cluster Homes, as defined below, and Condominiums, as defined below. The Property may contain parcels of Common Area, including, without limitation, streams and ponds, open space, landscaping, wildlife habitat, recreational facilities, roads, streets, drives, and other amenities and facilities. A nine-hole public, municipally-owned Golf Course has been approved as part of the development approvals obtained, which Golf Course is in addition to the existing eighteen-hole municipally-owned golf course. The Golf Course use, operation, and maintenance shall be governed by that certain Golf Course Agreement dated February 13, 1992 as amended (the "Golf Course Agreement"), and that certain Operation and Maintenance Agreement referred to therein (the "Operation and Maintenance Agreement"). The Golf Course will be constructed by Grantor, and acquired by the City of McCall with funds obtained in connection with a local improvement district established by the City of McCall.

1.3 Local Improvement District The purpose of the local improvement district is to provide financing for the development and acquisition of certain public infrastructure improvements, including the acquisition of the Golf Course, sanitary sewer facilities, water distribution, roads, bike and pedestrian pathways, landscaping, and street and road improvements. Each Building Lot shall be subject to a local improvement district assessment until the local improvement district debt in connection with such Building Lot is repaid in full.

1.4 Purpose of Master Declaration. The purpose of this Master Declaration is to set forth the basic restrictions, covenants, limitations, easements, conditions and equitable servitudes (collectively "Restrictions") that will apply to the entire development and use of all portions of the Property. The Restrictions are designed to protect, enhance and preserve the value, amenities, desirability, and attractiveness of the Property; to ensure a well-integrated, high quality development; and to guarantee adequate maintenance of the Common Area and the Improvements located on the Property in a cost effective and administratively efficient manner.

ARTICLE II: DECLARATION

Grantor hereby declares that the Property, and each lot, parcel or portion thereof, is and/or shall be held, sold, conveyed, encumbered, hypothecated, leased, used, occupied and improved subject to the following terms, covenants, conditions, easements and restrictions, all of which are declared and agreed to be in furtherance of a general plan for the protection, maintenance, subdivision, improvement and sale of the Property, and to enhance the value, desirability and attractiveness of the Property. The terms, covenants, conditions, easements and restrictions set forth herein: shall run with the land constituting the Property, and with each estate therein, and shall be binding upon all persons having or acquiring any right title or interest in the Property or any lot, parcel or portion thereof, shall inure to the benefit of every lot parcel or portion of the Property and any interest therein; and shall inure to the benefit of and be binding upon Grantor, Grantor's successors in interest and each grantee or Owner and such grantee's or Owner's respective successors in interest, and may be enforced by Grantor, by any Owner or such Owner's successors in interest, or by the Master Association or any Local Association as hereinafter described

ARTICLE III: DEFINITIONS

3.1 "Architectural Committee" shall mean the Architectural Committee created by Grantor or the Master Association pursuant to Article XI hereof.

3.2 "Articles" shall mean the Articles of Incorporation of an Association or other organizational or charter documents of an Association.

3.3 "Assessments" shall mean those payments required of Owners, Master Association Members, or Local Association Members, including Regular, Special and Limited Assessments of any Association, as further defined in this Master Declaration.

3.4 "Association" shall mean the Master Association and/or Local Association, whichever is appropriate in the context.

3.5 "Association Rules" shall mean those rules and regulations promulgated by an Association governing conduct upon and use of the Property under the jurisdiction or control of an Association, the imposition of fines and forfeitures for violation of Association Rules and regulations, and procedural matters for use in the conduct of business of an Association.

3.6 "Board" shall mean the Board of Directors or other governing board or individual, if applicable, of an Association.

3.7 "Building Envelope" shall mean the Building Envelope or area within a Building Lot where a residential structure and accessory structures shall be located, always subject to the prior written approval of the Architectural Committee.

3.8 "Building Lot" shall mean a lot within a Phase as specified or shown on any Plat and/or by Supplemental Declaration, upon which Improvements may be constructed. For voting and membership purposes herein,

“Building Lot” shall mean each single-family residential Building Lot including, without limitation, each Cluster Home or Condominium. Building Lot shall not include Common Area. Building Lot(s) are sometimes referred to herein, and sometimes referred in the Design Guidelines, as “Homesites(s)”.

3.9 “Bylaws” shall mean the Bylaws of an Association.

3.10 “Cluster Homes” shall mean a development approach in which Building Lots are reduced in size and/or sited closer together in clusters. Cluster Homes may include zero lot line units, town homes, attached units and detached units.

3.11 “Common Area” shall mean any or all parcels of Common Area or Local Common Area, whichever is appropriate in the context, and shall include, without limitation, all such parcels that are designated as private streets or drives, common open space, common landscaped areas, and waterways. Common Area is separate from and is to be distinguished from the public Golf Course to be developed adjacent to Spring Mountain Ranch and owned by the City of McCall. Common Area may include easement and/or license rights.

3.12 “Condominium” shall mean a condominium as defined in Idaho Code § 55-1501 et seq. as amended from time to time.

3.13 “Design Guidelines” shall mean the Design Guidelines and rules published and amended and supplemented from time to time as provided in such Design Guidelines.

3.14 “First Mortgage” shall mean any Mortgage which is not subject to any lien or encumbrance except liens for taxes or other liens which are given priority by statute.

3.15 “Golf Course” shall mean that certain public, municipally-owned Golf Course to be improved and located adjacent to the property described on Exhibit A, and to be operated as a part of the existing public, municipally-owned golf course.

3.16 “Grantor” shall mean Spring Mountain Ranch Limited Partnership; an Idaho limited partnership, or its successor, in interest, or any person or entity to whom the rights under this Declaration are expressly transferred by Spring Mountain Ranch Limited Partnership or its successor.

3.17 “Improvement” shall mean any structure, facility or system, or other improvement or object, whether permanent or temporary, which is erected, constructed or placed upon, under or in any portion of the Property, including, without limitation, residential structures, accessory buildings, fences, streets, drives, driveways, parking areas, sidewalks, bicycle paths, curbs, landscaping, walls, hedges, plantings, trees, wildlife habitat improvements, living and/or dead vegetation, rocks, signs, lights, mail boxes, electrical lines, pipes, pumps, ditches, waterways, recreational facilities, grading, road construction, utility improvements, removal of trees and other vegetation, plantings, and landscaping, and any new exterior construction or exterior improvement which may not be included in the foregoing. Improvement(s) does include both original improvements existing on the Property on the date hereof and all later changes and Improvements.

3.18 “Limited Assessment” shall mean a charge against a particular Owner and such Owner's Building Lot, directly attributable to the Owner, equal to the cost incurred by the Master Association or Local Association in connection with corrective action performed pursuant to the provisions of this Master Declaration or any Supplemental Declaration, including interest thereon as provided in this Master Declaration or a Supplemental Declaration.

3.19 “Local Association” shall mean any profit or not-for-profit Idaho corporation or unincorporated association, or the successors of any of them, organized and established by Grantor pursuant to the terms of this

Master Declaration or a Supplemental Declaration. A Local Association shall have no right, title or interest in the name "Spring Mountain Ranch," stylized or otherwise, or the logo in connection therewith.

3.20 "Local Association Board" shall mean the duly elected and qualified Board of Directors, or other governing board or individual, if applicable, of a Local Association.

3.21 "Local Common Area" shall mean all real property in which a Local Association holds an interest or which is held or maintained for the mutual use and benefit of such Local Association and its Members. Local Common Area may be established from time to time by Grantor on any portion of the Property by describing such an area on a recorded Plat, by granting or reserving it in a deed or other instrument, or by designating it as such in this Master Declaration or in any Supplemental Declaration. Local Common Area may include easement and/or license rights.

3.22 "Master Association" shall mean the Idaho profit or non-profit corporation, its successors and assigns, established by Grantor to exercise the powers and to carry out the duties set forth in this Master Declaration or any Supplemental Declaration. Grantor shall have the power, in its discretion, to name the Master Association the "SMR Homeowners' Association, Inc.", or any similar name which fairly reflects its purpose. The Master Association shall have no right, title or interest in the name "Spring Mountain Ranch," stylized or otherwise, or the logo in connection therewith.

3.23 "Master Declaration" shall mean this Master Declaration as it may be amended and supplemented from time to time.

3.24 "Member" shall mean each person or entity holding a membership in the Master Association. Where specific reference or the context so indicates, it shall also mean persons or entities holding membership in a Local Association.

3.25 "Mortgage" shall mean any mortgage, deed of trust, or other document pledging any portion of the Property or interest therein as security for the payment of a debt or obligation.

3.26 "Owner" shall mean the record owner, whether one or more persons or entities, including Grantor, holding fee simple interest of record to a Building Lot which is a part of the Property, and buyers under executory contracts of sale, but excluding those persons having such interest merely as security for the performance of an obligation, unless and until such person has acquired fee simple title pursuant to foreclosure or other proceedings.

3.27 "Person" shall mean any individual, partnership, corporation or other legal entity.

3.28 "Phase" shall mean a defined portion of the Property which has been designated as a Phase by recorded Supplemental Declaration. Each Phase shall contain one or more Building Lots, and may, in Grantor's discretion, be managed to the extent permitted herein by a Local Association.

3.29 "Plat" shall mean any subdivision plat covering any portion of the Property as recorded at the office of the County Recorder, Valley County, Idaho, as the same may be amended by duly recorded amendments thereof.

3.30 "Project Documents" shall mean the basic documents creating and governing the Property including, without limitation, this Master Declaration, any Supplemental Declaration, Articles of Incorporation and Bylaws of an Association, the Association Rules, the Design Guidelines and any procedures, rules, regulations or policies adopted under such documents by an Association or the Architectural Committee.

3.31 "Property" shall mean those portions of the property described on Exhibit A subjected to this Master Declaration by recorded Supplemental Declaration, including, without limitation, each lot, parcel and portion thereof and interest therein.

3.32 "Recreational Facilities" shall mean the Recreational Facilities or amenities located on the Property from

time to time.

3.33 "Regular Assessment" shall mean the portion of the cost of maintaining, improving, repairing, managing and operating the Common Area and all Improvements located thereon, and the other costs and expenses incurred to conduct the business and affairs of an Association which is levied against the property of each Owner to the Master Association, or applicable Local Association, pursuant to the terms hereof or the terms of this Master Declaration or a Supplemental Declaration.

3.34 "Special Assessment" shall mean the portion of the costs of the capital improvements or replacements, equipment purchases and replacements or shortages in Regular Assessments which are authorized to be paid to the Master Association, or applicable Local Association, pursuant to the provisions of this Master Declaration or a Supplemental Declaration.

3.35 "Supplemental Declaration" shall mean any Supplemental Declaration including additional covenants, conditions and restrictions that might be adopted with respect to any Phase or any portion of the Property.

3.36 "Waterway" shall mean any surface water amenity, including, without limitation, any lake, pond, channel, slough, stream, or reservoir, natural or artificial, which is located on the Property.

ARTICLE IV: GENERAL AND SPECIFIC RESTRICTIONS

4.1 Improvements – Generally. All Improvements are to be designed, constructed and used in such a manner as to promote compatibility between the types of use contemplated by this Master Declaration. Specific design and construction guidelines are contained in the Spring Mountain Ranch Design Guidelines, described further in Article XI below (the "Design Guidelines"), which Design Guidelines may be amended from time to time as provided in the Design Guidelines. The Design Guidelines and the general instructions set forth in this Master Declaration shall govern the right of a person or Owner to construct, reconstruct, refinish, remove, add, alter or maintain any Improvement upon, under or above the Property, and to make or create any excavation or fill on the Property, or make any change in the natural or existing surface contour or drainage, or install any utility line or conduit on, under or over the Property, including, without limitation, any Building Lot.

All Building Lots shall be used exclusively for residential purposes. No Building Lot shall be improved except with residential structures and accessory structures as permitted under the Design Guidelines. A Building Lot may contain more than one residential structure as long as such residential structures are in compliance with the Master Declaration and the Design Guidelines and applicable law. No Improvements which will be visible above ground or which will ultimately affect the visibility of any above ground Improvement shall be built, erected, placed or materially altered on or removed from the Property unless and until the building plans, specifications, and plot plan have been reviewed in advance by the Architectural Committee and the same have been approved in writing. This Master Declaration is not intended to serve as authority for the Architectural Committee to control the interior layout or design of residential structures except to the extent incidentally necessitated by use, size and height restrictions. This Master Declaration is intended to serve as authority for the Architectural Committee to use its judgment to see that all Improvements conform and harmonize as to external design, quality and type of construction, architectural character, materials, color, location on the Property, height, grade and finished ground elevation, natural conditions, landscaping, and all aesthetic considerations as set forth in this Master Declaration and in the Design Guidelines.

An applicable Association, after reasonable notice to the offender and/or to the Owner, may remove any Improvement constructed, reconstructed, refinished, removed, added, altered or maintained in violation of this Master Declaration and/or the Design Guidelines and the Owner of the Improvements shall immediately reimburse the applicable Association for all expenses incurred with such removal. Each violation of this Master Declaration

and the Design Guidelines is hereby declared to be and to constitute a nuisance, and every public or private remedy allowed for such violation by law or equity against a Class A Member shall be applicable.

4.2 Exterior Maintenance: Owner's Obligations No Improvement shall be permitted to fall into disrepair, and each Improvement shall at all times be kept in good condition and repair. In the event that any Owner shall permit any Improvement, including trees and landscaping, which is the responsibility of such Owner to maintain, to fall into disrepair so as to create a dangerous, unsafe, unsightly or unattractive condition, or damages property or facilities on or adjoining their Building Lot which would otherwise be an Associations' responsibility to maintain, the Board of the applicable Association of which such Owner is a Member (or the Board of the Master Association if the applicable Association fails to act or if no other applicable Association exists), upon thirty (30) days prior written notice to the Owner of such property, shall have the right to correct such condition, and to enter upon such Owner's Building Lot for the purpose of doing so, and such Owner shall promptly reimburse the applicable Association for the cost thereof. Such cost shall be a Limited Assessment and shall create a lien enforceable in the same manner as other Assessments as set forth herein. The Owner of the offending property shall be personally liable, and such Owner's property may be subject to a mechanic's lien for all costs and expenses incurred by the Association in taking such corrective acts, plus all costs incurred in collecting the amounts due. Each Owner shall pay all amounts due for such work within ten (10) days after receipt of written demand therefore, or the amounts may, at the option of the Board, be added to the amounts payable by such Owner as Regular Assessments.

4.3 Landscaping The Architectural Committee shall adopt guidelines regulating landscaping permitted and required. In the event that any Owner shall fail to install and maintain landscaping in conformance with such guidelines, or shall allow such Owner's landscaping to deteriorate to a dangerous, unsafe, unsightly or unattractive condition, the Board of the applicable Association of which such Owner is a Member (or the Board of the Master Association if the applicable Association fails to act or if no other applicable Association exists), upon thirty (30) days' prior written notice to such Owner, shall have the right to correct such condition and to enter upon such Owner's property for the purpose of doing so, and such Owner shall promptly reimburse the applicable Association for the cost thereof. Such cost shall be a Limited Assessment and shall create a lien enforceable in the same manner as other Assessments as set forth herein.

4.4 Nuisances No rubbish or debris of any kind shall be placed or permitted to accumulate anywhere upon the Property, including the Common Area or vacant Building Lots, and no odor shall be permitted to arise there from so as to render the Property or any portion thereof unsanitary, unsightly, offensive or detrimental to the Property or to its occupants, or to any other property in the vicinity thereof or to its occupants. No business or home occupation, no noise, no exterior fires, no obstructions of pedestrian walkways, no unsightliness, or other nuisance shall be permitted to exist or operate upon any portion of the Property so as to be offensive or detrimental to the Property or to its occupants or to other property in the vicinity or to its occupants, as determined by the Board of the applicable Association, in its reasonable judgment, or in violation of any state or local law or ordinance. Without limiting the generality of any of the foregoing, no whistles, bells or other sound devices (other than security devices used exclusively for security purposes which have been approved by the Master Association), flashing lights or search lights, shall be located, used or placed on the Property without the prior written approval of the applicable Association. No unsightly articles shall be permitted to remain on any Building Lot so as to be visible from any other portion of the Property. Without limiting the generality of the foregoing, refuse, garbage, trash, equipment, gas canisters, propane gas tanks, heat pumps, compressors, containers, lumber, firewood, grass, shrub or tree clippings, plant ways, metals, bulk material, scrap shall be kept at all times in such containers and in areas approved by the Architectural Committee. No clothing or fabric shall be hung, dried or aired in such a way as to be visible to other property.

4.5 No Hazardous Activities No activities shall be conducted on the Property, and no Improvements constructed on any property which are or might be unsafe or hazardous to any person or property.

4.6 No Mining or Drilling No portion of the Property shall be used for the purpose of blasting, mining, quarrying, drilling, boring or exploring for or removing water, oil, gas or other hydrocarbons, minerals, rocks, stones, sand, gravel or earth. This paragraph shall not prohibit exploratory drilling or coring which is necessary to construct Improvements.

4.7 Insurance Rates Nothing shall be done or kept on any Building Lot which will increase the rate of insurance on any other portion of the Property without the approval of the Owner of such other portion, nor shall anything be done or kept on the Property or a Building Lot which would result in the cancellation of insurance on any property owned or managed by any such Association or which would be in violation of any law.

4.8 Vehicles The use of all vehicles, including, without limitation, trucks, automobiles, bicycles, motorcycles, recreational vehicles, motor homes, motor coaches, campers, trailers, snowmobiles, aircraft, boats, shall be subject to the Project Documents, which prohibit or limit the use thereof within the Property. No on-street parking shall be permitted except where expressly designated for parking use. This restriction, however, shall not be deemed to prohibit commercial and construction vehicles, in the ordinary course of business, from making deliveries or otherwise providing service to the Property or for construction of Improvements by Grantor or Owners; provided, however, that such use shall not unreasonably bother or constitute a nuisance to others as determined by the Board of the Master Association in its reasonable judgment. Vehicles parked shall not extend into any sidewalk or bicycle path or pedestrian path. No motorized vehicle or device shall be permitted on any Waterway unless such vehicle is engaged in an emergency procedure, or as provided elsewhere in the Project Documents. No abandoned or inoperable, oversized, dilapidated or unrepaired and unsightly vehicles or similar equipment such as snow removal equipment, garden maintenance equipment and all other unsightly equipment and machinery shall be placed upon any portion of the Property including, without limitation, streets, parking areas and driveways, unless the same are enclosed by a structure concealing them from view in a manner approved by the Architectural Committee. To the extent possible, garage doors shall remain closed at all times. "Abandoned or inoperable vehicle" shall be defined as any vehicle which has not been driven under its own propulsion for a period of three (3) weeks or longer; provided however, this shall not include vehicles parked by owners while on vacation. "Oversized" vehicles shall be defined as vehicles which are too high to clear the entrance to a residential garage.

4.9 Animals/Pets No animals, birds, insects, pigeons, poultry or livestock shall be kept on the Property. This paragraph is not intended to prohibit the keeping of domesticated dogs, domesticated cats, and other household pets which do not unreasonably bother or constitute a nuisance to others as determined by the Board of the applicable Association, in its reasonable judgment, and are kept in compliance with the laws and ordinances of the City of McCall. Without limiting the generality of the foregoing, consistent and/or chronic barking by dogs shall be considered a nuisance. Each dog in Spring Mountain Ranch shall be subject to all "leash laws" of the City of McCall when such animal is off the premises of its owner. Animal structures are governed by the Design Guidelines.

4.10 No Temporary Structures No house trailer, mobile home, tent (other than for short term individual use), shack or other temporary building, improvement or structure shall be placed upon any portion of the Property, except temporarily as may be required by construction activity undertaken on the Property.

4.11 Drainage There shall be no interference with the established drainage pattern over any portion of the Property, unless an adequate alternative provision is made for proper drainage and is first approved in writing by the Architectural Committee. For the purposes hereof, "established" drainage is defined as the system of drainage, whether natural or otherwise, which exists at the time the overall grading of any portion of the Property is completed by Grantor, or that drainage which is shown on any plans approved by the Architectural Committee,

which may include drainage from Common Area over any Building Lot in the Property.

4.12 Grading The Owner of any Building Lot within the Property in which grading or other work has been performed pursuant to a grading plan approved under applicable provisions of McCall City Code or by the Architectural Committee, shall maintain and repair all graded surfaces and erosion prevention devices, retaining walls, drainage structures, means or devices which are not the responsibility of any public agency, and plantings and ground cover installed or completed thereon. Such requirements shall be subject to Regular, Special, and Limited Assessments provided for herein.

4.13 Water Supply Systems No separate or individual water supply system, regardless of the proposed use of the water to be delivered by such system, shall be permitted on any Building Lot unless such system is designed, located, constructed and equipped in accordance with the requirements, standards and recommendations of the Architectural Committee and all governmental authorities having jurisdiction.

4.14 Sewage Disposal Systems No individual sewage disposal system shall be used on the Property. Each Owner shall connect the appropriate facilities on such Owner's Building Lot to the McCall Sewer System and pay all charges assessed therefore.

4.15 Water Rights Appurtenant to Subdivision Lands. Within 120 days of the date of the recording of this Master Declaration, Grantor shall transfer from the Property subject to this Master Declaration, and within the boundaries of an irrigation entity, as defined in said Section 31-3805, Idaho Code, all water rights and assessment obligations appurtenant to the Property to the Master Association.

4.16 Energy Devices, Outside No energy production devices, including, without limitation, generators of any kind and solar energy devices, shall be constructed or maintained on any portion of the Property without the written approval of the Architectural Committee, except for heat pumps shown in the plans approved by the Architectural Committee. This paragraph shall not apply to passive solar energy systems incorporated into the approved design of a residential structure.

4.17 Signs No signs of any kind, including, without limitation, "for sale" signs, shall be displayed to the public view on or from any portion of the Property except those signs approved by the Architectural Committee, or signs of Grantor or its representatives, agents, employees or assigns, or signs required by law.

4.18 Antennae No exterior radio antenna, television antenna, satellite dish antenna or other antenna of any type shall be erected or maintained on the Property unless it is located or screened in a manner acceptable to the Architectural Committee.

4.19 No Further Subdivision No Building Lot may be further subdivided unless expressly approved by Grantor.

4.20 Leasing The Owner of a Building Lot shall have the right to lease such Building Lot, subject to the following conditions:

- 1) all leases shall be in writing;
- 2) the lease shall be specifically subject to the Project Documents, and any failure of a tenant to comply with the Project Documents shall be a default under the Lease; and
- 3) the Owner shall be liable for any violation of the Project Documents committed by the Owner's tenant, without prejudice to the Owner's right to collect any sums paid by the Owner on behalf of the tenant.

4.21 Interval Interests. Grantor may create, declare, and sell, in accordance with the Project Documents, interval licenses or interval ownership interests (sometimes referred to as interval interest). Grantor's creation, declaration and sale of such interval interest must comply with the Project Documents and with the provisions of all

laws, regulations, ordinances and other governmental and quasi-governmental regulations. Grantor shall, prior to the sale of such interval interest, record in the official records of Valley County, Idaho, a declaration of such interval interest.

4.22 Grantor Right of Development Nothing contained herein shall limit the right of Grantor to subdivide or re-subdivide any portion of the Property, to grant licenses, to reserve rights-of-way and easements with respect to Common Area to utility companies, public agencies or others, or to complete excavation, grading and construction of Improvements to and on any portion of the Property owned by Grantor, or to alter the foregoing and its construction plans and designs, or to construct such additional Improvements as Grantor deems advisable in the course of development of the Property so long as any Building Lot in the Property remains unsold. Such right shall include, but shall not be limited to, erecting, constructing and maintaining on the Property such structures and displays as may be reasonably necessary for the conduct of Grantor's business of completing the work and disposing of the same by sales lease or otherwise. Grantor shall have the right at any time prior to acquisition of title to a Building Lot by a purchaser from Grantor to grant, establish and/or reserve on that Building Lot additional licenses, reservations and rights-of-way to Grantor, to utility companies, or to others as may from time to time be reasonably necessary to the proper development and disposal of the Property. Grantor may use any structures owned by Grantor on the Property as model home complexes or real estate sales or leasing offices. Grantor need not seek or obtain Master Association, Local Association or Architectural Committee approval of any Improvement constructed or placed by Grantor on any portion of the Property owned by Grantor. The rights of Grantor hereunder may be assigned by Grantor to any successor in interest in connection with Grantor's interest in any portion of the Property, by an express written assignment recorded in the Office of the Valley County Recorder.

Grantor, in Grantor's sole discretion, and with the approval of the City of McCall, may amend and modify the Development Plan. Any development plans or schemes for the Property in existence prior to or following the effective date of this Master Declaration are subject to change at any time by Grantor, and impose no obligation on Grantor as to how the Property is to be developed or improved. By acceptance of a deed to any property in Spring Mountain Ranch, each Owner of such property thereby acknowledges and agrees the development plans and schemes for the property described on Exhibit A may be amended, modified or changed in Grantor's sole discretion.

No provision of this Master Declaration shall be construed as to prevent or limit Grantor's right to complete development of the Property and to construct improvements thereon, nor Grantor's right to maintain model homes, construction, sales or leasing offices or similar facilities on any portion of the Property, including the Common Area or any public right-of-way, nor Grantor's right to post signs incidental to construction, sales or leasing. At all times, and under all circumstances, Grantor shall not be required to obtain any consent or approval from any Owner or Owners or the Master Association or any Local Association or Architectural Committee in order for Grantor to complete development of the Property and to construct improvements thereon.

4.23 Compliance with Laws Subject to the rights of reasonable contest, each Owner shall promptly comply with the provisions of all applicable laws, regulations, ordinances and other governmental or quasi-governmental regulations with respect to all or any portion of the Property, including, without limitations, any and all portions of the Property subject to wetlands regulation by the U.S. Army Corps of Engineers.

ARTICLE V: SMR HOMEOWNERS' ASSOCIATION

5.1 Organization of Spring Mountain Ranch Homeowners' Association SMR Homeowners' Association, Inc. (the "Master Association") shall be initially organized by Grantor as an Idaho non-profit corporation under the provisions of the Idaho Code relating to general non-profit corporations and shall be charged with the duties and invested with the powers prescribed by law and set forth in the Project Documents. Neither the Articles nor the Bylaws shall be amended or otherwise changed or interpreted so as to be inconsistent with this Master Declaration.

Grantor may, in its discretion, grant to the Master Association a revocable, non-exclusive license to use the name "Spring Mountain Ranch." Each Owner shall abide by and benefit from the provisions, covenants, conditions and restrictions contained in the Project Documents.

5.2 Membership Each Owner, by virtue of being an Owner and for so long as such ownership is maintained, shall be a Member of the Master Association, and no Owner, except Grantor, shall have more than one membership in the Master Association. Memberships in the Master Association shall be appurtenant to the Phase, Building Lot or other portion of the Property owned by such Owner. The memberships in the Master Association shall not be transferred, pledged, assigned or alienated in any way except upon the transfer of Owner's title and then only to the transferee of such title. Any attempt to make a prohibited membership transfer shall be void and will not be reflected on the books of the Master Association.

5.3 Voting Voting in the Master Association shall be carried out by Members who shall cast the votes attributable to the Building Lot which they own, or attributable to the Building Lots owned by Grantor. The number of votes any Member may cast on any issue is determined by the number of Building Lots which the Member, including Grantor, owns. When more than one person holds an interest in any Building Lot, all such persons shall be Members but shall share the vote, or fractional vote, if applicable, attributable to the Building Lot. For voting purposes, the Master Association shall have two (2) classes of Members as described below.

5.3.1 Class A Members. Owners other than Grantor shall be known as Class A Members. Each Class A Member shall be entitled to one vote for each Building Lot. Any Supplemental Declaration may provide that a Condominium shall have a fractional vote of less than one.

5.3.2 Class B Members. Grantor shall be known as the Class B Member, and shall be entitled to 3,750 votes (that is 5 votes for each of the 750 approved Building Lots) less 5 votes for each Building Lot owned by someone other than Grantor. The Class B Member shall cease to be a voting Member in the Master Association on the earlier of: when the Class B Member holds fewer than 250 votes; or twenty (20) years after the date of this Master Declaration is recorded in the official records of Valley County.

The vote, or fractional vote, if applicable, for each Building Lot shall be exercised as the Owners thereof among themselves determine. In the event that joint Owners are unable to agree among themselves as to how their vote or votes shall be cast, they shall lose their right to vote on the matter being put to a vote. When an Owner casts a vote, it will thereafter be presumed conclusively for all purposes that such Owner was acting with authority and consent of all joint Owners of the Building Lot(s) from which the vote derived. The right to vote may not be severed or separated from the ownership of the Building Lot to which it is appurtenant, except that any Owner may give a revocable proxy, or may assign such Owner's right to vote to a lessee, mortgagee, beneficiary or contract purchaser of the Building Lot concerned, for the term of the lease, mortgage, deed of trust or contract. Any sale, transfer or conveyance of such Building Lot to a new Owner shall operate automatically to transfer the appurtenant voting right to the Owner, subject to any assignment of the right to vote to a lessee, mortgagee, or beneficiary as provided herein.

5.4 Meetings of Master Association Each year the Master Association shall hold at least one meeting of the Members, according to the schedule for such meetings established by the Bylaws. Only Members shall be entitled to attend Master Association meetings, and all other persons may be excluded. When more than one person holds an interest in any Building Lot, all such persons shall be Members but only one Member with an interest in such Building Lot shall attend Master Association meetings. Notice for all Master Association meetings, regular or special, shall be given by regular mail to all Members, and any person in possession of a Building Lot, not less than ten (10) days nor more than thirty (30) days before the meeting and shall set forth the place, date and hour of the meeting and the nature of the business to be conducted. All meetings shall be held within the Property or as close

thereto as practical at a reasonable place selected by the Board. The presence at any meeting in person of the Class B Member where there is such a Member, and of the Members representing Owners holding at least thirty percent (30%) of the total votes of all Members, shall constitute a quorum. If any meeting cannot be held because a quorum is not present, the Members present may adjourn the meeting to a time not less than ten (10) days nor more than thirty (30) days from the time the original meeting was scheduled, without notice other than announcement at the meeting. At such second meeting, the presence of the Class B Member, where there is such a Member, and of the Members holding at least ten percent (10%) of the total votes of all Members, shall constitute a quorum.

5.5 Board of Directors and Officers The affairs of the Master Association shall be conducted and managed by a Board of Directors (the "Board") and such officers as the Board may elect or appoint, in accordance with the Articles and Bylaws, as the same may be amended from time to time. The Board of the Master Association shall be elected in accordance with the provisions set forth in the Bylaws.

5.6 Power and Duties of the Master Association

5.6.1 Powers The Master Association shall have all the powers of a corporation organized under the general corporation laws of the State of Idaho subject only to such limitations upon the exercise of such powers as are expressly set forth in the Project Documents. The Master Association shall have the power to do any and all lawful things which may be authorized, required or permitted to be done by the Master Association under Idaho law, under the Project Documents, the Development Plan, the Golf Course Agreement, and the Operation and Maintenance Agreement, and to do and perform any and all acts which may be necessary to, proper for, or incidental to the proper management and operation of the Common Area and the Master Declaration's other assets, including water rights when and if received from Grantor, and the performance of the other responsibilities herein assigned, including without limitation:

5.6.1.1 Assessments The power to levy Assessments on any Owner or any portion of the Property and to force payment of such Assessments, all in accordance with the provisions of this Master Declaration.

5.6.1.2 Right of Enforcement The power and authority from time to time in its own name, on its own behalf, or on behalf of any Owner who consents thereto, to commence and maintain actions and suits to restrain and enjoin any breach or threatened breach of the Project Documents, and to enforce by injunction or otherwise, all provisions hereof.

5.6.1.3 Delegation of Powers The authority to delegate its power and duties to committees, officers, employees, or to any person, firm or corporation to act as Manager, and to contract for the maintenance, repair, replacement and operation of the Common Area. Neither the Master Association nor the members of its Board shall be liable for any omission or improper exercise by the Manager of any such duty or power so delegated.

5.6.1.4 Association Rules The power to adopt, amend and repeal by majority vote of the Board such rules and regulations as the Master Association deems reasonable. The Master Association may govern the use of the Common Area by the Owners, their families, invitees, licensees, lessees or contract purchasers, including, without limitation, the use of Common Area for organized recreational activities; provided, however, that any Association Rules shall apply equally to all Owners and shall not be inconsistent with this Master Declaration, the Articles or the Bylaws. A copy of the Association Rules as they may from time to time be adopted, amended or repealed shall be mailed or otherwise delivered to each Owner. Upon such mailing or delivery, the Association Rules shall have the same force and effect as if they were set forth in and were a part of this Master Declaration. In the event of any conflict between such Association Rules and any other provisions of this Master Declaration, or the Articles or the Bylaws, the provisions of the Association Rules shall be deemed to be superseded by the provisions of this Master Declaration, the Articles or the Bylaws to the extent of any such inconsistency.

5.6.1.5 Emergency Powers The power, exercised by the Master Association or by any person authorized by it, to enter upon any portion of the Property (but not inside any building constructed thereon) in the event of any emergency involving illness or potential danger to life or property or when necessary in connection with any maintenance or construction for which the Master Association is responsible. Such entry shall be made with as little inconvenience to the Owner as practicable, and any damage caused thereby shall be repaired by the Master Association.

5.6.1.6 Licenses Easements and Rights-of-Way. The power to grant and convey to any third party such licenses, easements and rights-of-way in, on or under the Common Area as may be necessary or appropriate for the orderly maintenance, preservation and enjoyment of the Common Area, and for the preservation of the health, safety, convenience and the welfare of the Owners, for the purpose of constructing, erecting, operating or maintaining:

5.6.1.6.1 Underground lines, cables, wires, conduits or other devices for the transmission of electricity or electronic signals for lighting, heating, power, telephone, television or other purposes, and the above ground lighting stanchions, meters, and other facilities associated with the provisions of lighting and services;

5.6.1.6.2 Public sewers, storm drains, water drains and pipes, water supply systems, sprinkling systems, heating and gas lines or pipes, and any similar public or quasi-public improvements or facilities; and

5.6.1.6.3 Mailboxes and sidewalk abutments around such mailboxes or any service facility, berm, fencing and landscaping abutting common areas, public and private streets or land conveyed for any public or quasi-public purpose including, without limitation, bicycle pathways.

The right to grant such licenses, easements and rights-of-way are hereby expressly reserved to the Master Association and may be granted at any time prior to twenty-one (21) years after the death of the issue of the individuals executing this Master Declaration on behalf of Grantor who are in being as of the date hereof.

5.6.2 Duties In addition to duties necessary and proper to carry out the power delegated to the Master Association by the Project Documents, the Development Plan, the Golf Course Agreement, and the Operation and Maintenance Agreement, without limiting the generality thereof, the Master Association or its agent, if any, shall have the authority and the obligation to conduct all business affairs of the Master Association and to perform, without limitation, each of the following duties:

5.6.2.1 Operation and Maintenance of Common Area Operate, maintain, and otherwise manage or provide for the operation, maintenance and management of the Common Area (other than Local Common Area), which as provided earlier herein does not include the Golf Course, and Waterways, including the repair and replacement of property damaged or destroyed by casualty loss. All Waterways shall be maintained in accordance with sound hydrological principles, with particular attention to the protection and husbandry of the wildlife habitat. The Master Association shall, at Grantor's sole discretion, operate and maintain all properties owned by Grantor which are designated by Grantor for temporary or permanent use by Members of the Master Association;

5.6.2.2 Reserve Account Establish and fund a reserve account with a reputable banking institution or savings and loan association or title insurance company authorized to do business in the State of Idaho, which reserve account shall be dedicated to the costs of repair, replacement, maintenance and improvement of the Common Area;

5.6.2.3 Maintenance of Berms, Retaining Walls and Fences Maintain, if any, the berms, retaining walls, fences and water amenities within and abutting Common Area;

5.6.2.4 Taxes and Assessments Pay all real and personal property taxes and Assessments separately levied against the Common Area or against the Property, the Master Association and/or any other property owned by the

Master Association. Such taxes and Assessments may be contested or compromised by the Master Association, provided, however, that such taxes and Assessments are paid or a bond insuring payment is posted prior to the sale or disposition of any property to satisfy the payment of such taxes and Assessments. In addition, the Master Association shall pay all other federal, state or local taxes, including income or corporate taxes levied against the Master Association, in the event that the Master Association is denied the status of a tax exempt corporation;

5.6.2.5 Water and Other Utilities Acquire, provide and/or pay for water, sewer, garbage disposal, refuse and rubbish collection, electrical, telephone and gas and other necessary services for the Common Area, and to manage for the benefit of Spring Mountain Ranch all water rights and rights to receive water held by the Master Association, whether such rights are evidenced by license, permit, claim, stock ownership or otherwise;

5.6.2.6 Insurance Obtain insurance from reputable insurance companies authorized to do business in the State of Idaho, and maintain in effect any insurance policy the Board deems necessary or advisable, and to the extent possible to obtain, including, without limitation the following policies of insurance:

5.6.2.6.1 Fire insurance including those risks embraced by coverage of the type known as the broad form "All Risk" or special extended coverage endorsement on a blanket agreed amount basis for the full insurable replacement value of all Improvements, equipment and fixtures located within the Common Area;

5.6.2.6.2 Comprehensive public liability insurance insuring the Board, the Master Association, Grantor, and the individual grantees, tenants, agents and employees, invitees and guests of each of the foregoing against any liability incident to the ownership and/or use of the Common Area. Limits of liability of such coverage shall be as follows: Not less than One Million Dollars (\$1,000,000) per person and One Million Dollars (\$1,000,000) per occurrence with respect to personal injury or death, and One Million Dollars (\$1,000,000) per occurrence with respect to property damage;

5.6.2.6.3 Full coverage directors' and officers' liability insurance with a limit of at least Two Hundred Fifty Thousand Dollars (\$250,000);

5.6.2.6.4 Such other insurance, including motor vehicle insurance and worker's compensation insurance, to the extent necessary to comply with all applicable laws and indemnity, faithful performance, fidelity and other bonds as the Board shall deem necessary or required to carry out the Master Association functions or to insure the Master Association against any loss from malfeasance or dishonesty of any employee or other person charged with the management or possession of any Master Association funds or other property;

5.6.2.6.5 The Master Association shall be deemed trustee of the interests of all Owners in connection with any insurance proceeds paid to the Master Association under such policies, and shall have full power to receive such Owner's interests in such proceeds and to deal therewith; and

5.6.2.6.6 Insurance premiums for the above insurance coverage shall be deemed a common expense to be included in the Regular Assessments levied by the Master Association.

5.6.2.7 Rule Making Make, establish, promulgate, amend and repeal such Association Rules as the Board shall deem advisable;

5.6.2.8 Newsletter If it so elects, prepare and distribute a newsletter on matters of general interest to Master Association Members, the cost of which shall be included in Regular Assessments;

5.6.2.9 Architectural Committee Appoint and remove members of the Architectural Committee, subject to the provisions of this Master Declaration; and

5.6.2.10 Enforcement of Restrictions and Rules Perform such other acts, whether or not expressly

authorized by this Master Declaration, as may be reasonably advisable or necessary to enforce any of the provisions of the Project Documents, the Development Plan, the Golf Course Agreement, the Operation and Maintenance Agreement, and any and all laws, ordinances, rules and regulations of the City of McCall and Valley County. Also including, without limitation, the recordation of any claim of lien with the Valley County Recorder, as more fully provided herein.

5.7 Budgets and Financial Statements Financial statements for the Master Association shall be prepared regularly and copies shall be distributed to each Member of the Master Association as follows:

5.7.1 A pro forma operating statement or budget, for each fiscal year shall be distributed not less than sixty (60) days before, the beginning of each fiscal year. The operating statement shall include a schedule of Assessments received and receivable.

5.7.2 Within ninety (90) days after the close of each fiscal year, the Master Association shall cause to be prepared and delivered to each Owner, a balance sheet as of the last day of the Master Association's fiscal year and annual operating statements reflecting the income and expenditures of the Master Association for its last fiscal year. Copies of the balance sheet and operating statement shall be distributed to each Member within ninety (90) days after the end of each fiscal year.

5.8 Manager The Master Association may employ or contract for the services of a professional manager, provided that no such employment shall be by a contract having a term of more than three (3) years, and each such contract shall be subject to cancellation by the Master Association on a ninety (90) days or less prior notice without cause and without payment of a termination fee. The professional manager so employed or contracted with shall not have the authority to make expenditures chargeable against the Master Association except upon specific prior approval and direction by the Board. The Board shall not be liable for any omission or improper exercise by such a professional manager of any such duty, power or function so delegated by written instrument executed by or on behalf of the Board

5.9 Personal Liability No Member of the Board, or member of any committee of the Master Association, or any officer of the Master Association, or Grantor, or the manager, if any, shall be personally liable to any Owner, or to any other party, including the Master Association, for any damage, loss or prejudice suffered or claimed on the account of any act, omission, error or negligence of the Master Association, the Board, the manager, if any, or any officer, committee, or other representative or employee of the Master Association, Grantor, or the Architectural Committee, provided that such person, upon the basis of such information as may be possessed by such person, has acted in good faith without willful or intentional misconduct.

ARTICLE VI: LOCAL ASSOCIATIONS

6.1 Creation by Grantor Grantor may create Local Associations as profit or non-profit corporations under the provisions of the Idaho Code relating to corporations, or Grantor may create such Local Association as any unincorporated entity which Grantor deems appropriate. Grantor may, in its discretion, create a Local Association by means of a Supplemental Declaration, or create such Association by means of separate instruments, and may, in its discretion, grant to such Local Association a revocable, non-exclusive license to use the name "Spring Mountain Ranch."

6.2 Members of Local Associations Where a Local Association is created, the Members thereof shall be all the Owners of Building Lots, including Grantor while it remains an Owner, in the respective Phases designated in the applicable Supplemental Declaration. Memberships may be transferred only as specified in paragraph 5.2 for the Master Association. Members of a Local Association shall also be Members of the Master Association.

6.3 Voting in Local Associations Each Local Association shall have two (2) classes of voting memberships, and the number of votes each Member may cast on a single vote will be determined according to the number of Building Lots existing on that portion of the Property the Member owns, in the same manner and amounts as votes are allocated to Members in paragraph 5.3 for the Master Association.

6.4 Meetings of Local Association Each year the Local Association shall hold at least one meeting of the Members in the same manner as specified in paragraph 5.4 for the Master Association.

6.5 Management. Powers and Duties. Each such Local Association, if any, shall be managed by a Board of Directors and officers in the same manner as specified in paragraph 5.5 for the Master Association, shall have the same powers and duties with respect to its Members or the property owned, managed or maintained by it, including levying Assessments, adopting rules and regulations, granting easements, licenses and rights-of-way, payment of expenses, taxes, Assessments, utility charges, insurance premiums and the preparation and distribution of budgets and financial statements as are provided in paragraph 5.6 for the Master Association, except as modified herein or as modified by a Supplemental Declaration. Each such Local Association may certify to the Master Association the amount of such Assessments and charges for collection. The Board, Member, committee, officers, Grantor, or the manager, if any, shall be free of personal liability as to the Local Association in the same manner as described in paragraph 5.9 for the Master Association.

ARTICLE VII: RIGHTS TO COMMON AREAS

7.1 Use of Common Area Every Owner shall have a right to use each parcel of the Common Area, and to the extent permitted by any Supplemental Declaration or other instrument, shall have a right to use each parcel of Local Common Area owned and/or managed by a Local Association of which such Owner is a Member, which right shall be appurtenant to and shall pass with the title to every Building Lot subject to the following provisions:

7.1.1 The right of an Association holding or controlling such Common Area to levy and increase Assessments;

7.1.2 The right of such Association to suspend the voting rights and rights to use of, or interest in, Common Area by an Owner for any period during which any Assessment or charge against such Owner's Building Lot remains unpaid; and for a period not to exceed sixty (60) days for any infraction of the Association Rules;

7.1.3 The right of an Association to dedicate or transfer all or any part of the Common Area to any public agency, authority or utility for such purposes and subject to such conditions as may be permitted by the Project Documents and agreed to by the Members; and

7.1.4 The right of such Association to prohibit the construction of structures or Improvements on all Common Areas.

7.2 Designation of Common Area Grantor shall designate and reserve Common Area, and Local Common Area in the Master Declaration, Supplemental Declarations and/or recorded Plats, deeds or other instruments and/or as otherwise provided herein.

7.3 Delegation of Right to Use Any Owner may delegate, in accordance with the Project Documents, such Owner's right of enjoyment to the Common Area or the Local Common Area, to the members of such Owner's family in residence, and such Owner's tenants or contract purchasers who reside on such Owner's Building Lot. Only Grantor or an Association shall have the right to delegate the right of enjoyment to the Common Area or the Local Common Area, to the general public, and such delegation to the general public shall be for a fee set by Grantor or Association.

7.4 Damages Each Owner shall be fully liable for any damage to any Common Area which may be sustained by

reason of the negligence or willful misconduct of the Owner, such Owner's resident tenant or contract purchaser, or such Owner's family and guests, both minor and adult. In the case of joint ownership of a Building Lot the liability of such Owners shall be joint and several. The cost of correcting such damage shall be a Limited Assessment against the Building Lot and may be collected as provided herein for the collection of other Assessments.

ARTICLE VIII: ASSESSMENTS

8.1 Covenant to Pay Assessments By acceptance of a deed to any Building Lot in Spring Mountain Ranch, each Owner of such Building Lot thereby covenants and agrees to pay when due all Assessments or charges made by the Master Association and/or a Local Association, including all Regular, Special and Limited Assessments and charges made against such Owner pursuant to the provisions of this Master Declaration or other applicable instrument.

8.1.1 Assessment Constitutes Lien Such Assessments and charges together with interest, costs and reasonable attorneys' fees which may be incurred in collecting the same, shall be a charge on the land and shall be a continuing lien upon the property against which each such Assessment or charge is made.

8.1.2 Assessment is Personal Obligation Each such Assessment, together with interest, costs and reasonably attorneys' fees, shall also be the personal obligation of the Owner of such property beginning with the time when the Assessment falls due. The personal obligation for delinquent Assessments shall not pass to such Owner's successors in title unless expressly assumed by them but shall remain such Owner's personal obligation regardless of whether he remains an Owner.

8.2 Uniform Rate of Assessment All Assessments must be fixed at a uniform rate for each type of Building Lot, but the basis and rate of Assessments for each type of use may be varied as provided below:

Building Lots shall be assessed on the basis appropriate for each type of such use which types may be based upon classification including, without limitation, single-family dwellings, attached dwellings or clustered dwellings, and adjoining units as determined by the Board from time to time. The rate of Assessment levied against Building Lots within the various Phases may be varied based upon the Board's sole and exclusive determination that any specific item in the applicable Association's budget may more directly benefit a certain Phase of the Property in excess of its proportionate share, or that the applicable Association has provided services to such Phase in excess of those to other Phases within the Property, provided, however, that such rate of Assessment shall be uniform, and proportionate to the use within each Phase.

8.3 Regular Assessments All Owners are obligated to pay Regular Assessments to the treasurer of the Association on a schedule of payments established by the Board.

8.3.1 Purpose of Regular Assessments The proceeds from Regular Assessments are to be used to pay for all costs and expenses incurred by an Association, including legal and attorneys fees and other professional fees, for the conduct of its affairs, including without limitation the costs and expenses of construction, improvement, protection, maintenance, repair, management and operation of the Common Areas, including all Improvements located on such areas owned and/or managed and maintained by such Association (the "Operating Expenses"), and an amount allocated to an adequate reserve fund to be used for repairs, replacement, maintenance and improvement of those elements of the Common Area, or other property of an Association that must be replaced and maintained on a regular basis (the "Repair Expenses"). The Operating Expenses and the Repair Expenses are collectively referred to herein as the "Expenses."

8.3.2 Computation of Regular Assessments An Association shall compute the amount of its Expenses on an annual basis. The Board shall compute the amount of Regular Assessments owed beginning the first day of the third month following the month in which the closing of the first sale of a Building Lot occurs in the Property for the

purposes of the Master Association's Regular Assessment, and beginning on such date as is set forth in the Supplemental Declaration for a Local Association's Regular Assessment ("Initiation Date"). Thereafter, the computation of Regular Assessments shall take place not less than thirty (30) nor more than sixty (60) days before the beginning of each fiscal year of an Association. The computation of the Regular Assessment for the period from the Initiation Date until the beginning of the next fiscal year shall be reduced by an amount which fairly reflects the fact that such period was less than one year.

8.3.3 Amounts Paid by Owners The Board can require, in its discretion or as provided in the Project Documents, payment of Regular Assessments in monthly, quarterly, semi-annual or annual installments. The Regular Assessment to be paid by any particular Owner for any given fiscal year shall be computed as follows:

8.3.3.1 As to the Master Association's Regular Assessment, each Owner, except for the Grantor, as provided further in subparagraph 8.3.3.3 below, shall be assessed and shall pay an amount computed by multiplying the Association's total advance estimate of Expenses by the fraction produced by dividing the Building Lots attributable to the Owner by the total number of Building Lots in the Property;

8.3.3.2 As to any Local Association, each Owner who is also a Member of such Association, except for the Grantor, as provided further in subparagraph 8.3.3.3 below, shall be assessed and shall pay an amount computed by multiplying such Association's total advance estimate of Expenses by the fraction produced by dividing the number of Building Lots in the applicable Phase attributable to such Owner by the total number of Building Lots in such Phase; and

8.3.3.3 For two (2) years following the date assessments for a Phase are assessed against the Owners of Building Lots in such Phase, Grantor shall not be assessed Regular Assessments for each Building Lot in such Phase of which Grantor is an Owner. However, during such two (2) year period, Grantor shall pay an amount equal to the Operating Expenses shortfall of the applicable Association for each Phase (the "Shortfall Payment"), which Shortfall Payment shall be an amount less than or equal to the Regular Assessments multiplied by the total number of Building Lots in such Phase owned by Grantor on the date Regular Assessments are assessed against the Owners of Building Lots in such Phase. Grantor's Shortfall Payment in connection with such Phase shall end two (2) years after the date assessments in such Phase begin. Thereafter, Grantor shall be assessed Regular Assessments for each Building Lot in such Phase of which Grantor is an Owner.

8.4 Special Assessments

8.4.1 Purpose and Procedure In the event that the Board of an Association shall determine that its respective Regular Assessment for a given calendar year is or will be inadequate to meet the Expenses of such Association for any reason, including, without limitation, costs of construction, reconstruction, unexpected repairs or replacement of Improvements upon the Common Area, attorney's fees and/or litigation costs, other professional fees, or for any other reason, the Board thereof shall determine the approximate amount necessary to defray such Expenses and levy a Special Assessment against the portions of the Property within its jurisdiction which shall be computed in the same manner as Regular Assessments. The Board shall, in its discretion, determine the schedule under which such Special Assessment will be paid.

8.4.2 Consistent Basis of Assessment Every Special Assessment levied by and for an Association shall be levied and paid upon the same basis as that prescribed for the levying and payment of Regular Assessments for such Association.

8.5 Limited Assessments Notwithstanding the above provisions with respect to Regular and Special Assessments, a Board may levy a Limited Assessment against a Member as a remedy to reimburse the Association for costs incurred in bringing the Member and/or such Member's Building Lot into compliance with the provisions

of the governing instruments for Spring Mountain Ranch.

8.6 Assessment Period Unless otherwise provided in the Project Documents, the Assessment period shall commence on June 1 of each year and terminate May 31 of the year in which the Initiation Date occurs. The first Assessment shall be pro-rated according to the number of months remaining in the fiscal year and shall be payable in equal monthly installments.

8.7 Notice and Assessment Due Date Ten (10) days prior written notice of Regular and Special Assessments shall be sent to the Owner of every Building Lot subject thereto, and to any person in possession of such Building Lot. The due dates for installment payment of Regular Assessments and Special Assessments shall be the first day of each month unless some other due date is established by the Board. Each monthly installment of the Regular Assessment or Special Assessment shall become delinquent if not paid within ten (10) days after the levy thereof. There may accrue, at the Board's uniform discretion, with each delinquent installment payment a late charge equal to ten percent (10%) of the delinquent installment. In addition, each installment payment which is delinquent for more than twenty (20) days may accrue, at the Board's uniform discretion, interest at eighteen percent (18%) per annum calculated the date of delinquency to and including the date full payment is received by an Association. An Association may bring an action against the delinquent Owner and may foreclose the lien against such Owner's Building Lot as more fully provided herein. Each Owner is personally liable for Assessments, together with all interest, costs and attorneys' fees, and no Owner may exempt such Owner from such liability by a waiver of the use and enjoyment of the Common Areas, or by lease or abandonment of such Owner's Building Lot.

8.8 Estoppel Certificate The Association, upon at least twenty (20) days prior written request, shall execute, acknowledge and deliver to the party making such request, a statement in writing stating whether or not, to the knowledge of the Association, a particular Owner is in default under the provisions of this Master Declaration, and further stating the dates to which any Assessments have been paid by the Owner. Any such certificate delivered pursuant to this Article may be relied upon by any prospective purchaser or mortgagee of the Owner's Building Lot. Reliance on such Certificate may not extend to any default as to which the signer shall have had no actual knowledge.

8.9 Special Notice and Quorum Requirements Notwithstanding anything to the contrary contained in the Project Documents, written notice of any meeting called for the purpose of levying a Special Assessment, or for the purpose of obtaining a membership vote in connection with an increase in the Regular Assessment, shall be sent to all Members of an Association and to any person in possession of a Building Lot in the applicable Phase, not less than fifteen (15) days nor more than thirty (30) days before such meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast sixty percent (60%) of the total votes of the Association shall constitute a quorum. If such quorum is not present, subsequent meetings may be called subject to the same notice requirement, and the required quorum at the subsequent meetings shall be fifty percent (50%) of the quorum required at the preceding meeting. No such subsequent meeting shall be held more than thirty (30) days following the preceding meeting.

ARTICLE IX: ENFORCEMENT OF ASSESSMENTS; LIENS

9.1 Right to Enforce The Master Association has the right to collect and enforce its Assessments pursuant to the provisions hereof. Each Owner of a Building Lot, upon becoming an Owner of such Building Lot shall be deemed to covenant and agree to pay each and every Assessment provided for in this Master Declaration and agrees to the enforcement of all Assessments in the manner herein specified. In the event an attorney or attorneys are employed for the collection of any Assessment, whether by suit or otherwise, or to enforce compliance with or specific performance of the terms and conditions of this Master Declaration, each Owner agrees to pay reasonable attorney's fees in addition to any other relief or remedy obtained against such Owner. The Board or its authorized

representative may enforce the obligations of the Owners to pay such Assessments by commencement and maintenance of a suit at law or in equity, or the Board may exercise the power of foreclosure and sale pursuant to this Article to enforce the liens created hereby. A suit to recover a money judgment for an unpaid Assessment shall be maintainable without foreclosing or waiving the lien hereinafter provided.

9.2 Assessment Liens

9.2.1 Creation There is hereby created a claim of lien with power of sale on each and every Building Lot to secure payment of any and all Assessments levied against such Building Lot pursuant to this Master Declaration together with interest thereon at the maximum rate permitted by law and all costs of collection which may be paid or incurred by the Association making the Assessment in connection therewith, including reasonable attorneys' fees. All sums assessed in accordance with the provisions of this Master Declaration shall constitute a lien on such respective Building Lots upon recordation of a claim of lien with the Valley County Recorder. Such lien shall be prior and superior to all other liens or claims created subsequent to the recordation of the notice of delinquency and claim of lien except for tax liens for real property taxes on any Building Lot and Assessments on any Building Lot in favor of any municipal or other governmental assessing body which, by law, would be superior thereto.

9.2.2 Claim of Lien Upon default of any Owner in the payment of any Regular, Special or Limited Assessment issued hereunder, the Association may cause to be recorded in the office of the Valley County Recorder a claim of lien. The claim of lien shall state the amount of such delinquent sums and other authorized charges (including the cost of recording such notice), a sufficient description of the Building Lot(s) against which the same have been assessed, and the name of the record Owner thereof. Each delinquency shall constitute a separate basis for a notice and claim of lien, but any number of defaults may be included within a single notice and claim of lien. Upon payment to the Association of such delinquent sums and charges in connection therewith or other satisfaction thereof, the Association shall cause to be recorded a further notice stating the satisfaction or relief of such delinquent sums and charges. The Association may demand and receive the cost of preparing and recording such release before recording the same.

9.3 Method of Foreclosure Such lien may be foreclosed by appropriate action in court or by sale by the Association establishing the Assessment, its attorney or other person authorized to make the sale. Such sale shall be conducted in accordance with the provisions of the Idaho Code applicable to the exercise of powers of sale permitted by law. The Board is hereby authorized to appoint its attorney, any officer or director of the Association, or any title company authorized to do business in Idaho as trustee for the purpose of conducting such power of sale or foreclosure.

9.4 Required Notice Notwithstanding anything contained in this Master Declaration to the contrary, no action may be brought to foreclose the lien created by recordation of the notice of delinquency and claim of lien, whether judicially, by power of sale or otherwise, until the expiration of thirty (30) days after a copy of such claim of lien has been deposited in the United States mail, certified or registered, postage prepaid, to the Owner of the Building Lot(s) described in such notice of delinquency and claim of lien, and to the person in possession of such Building Lot(s) and a copy thereof is recorded by the Association in the Office of the Valley County Recorder.

9.5 Subordination to Certain Trust Deeds The lien for the Assessments provided for herein in connection with a given Building Lot shall not be subordinate to the lien of any deed of trust or mortgage except the lien of a first deed of trust or first mortgage given and made in good faith and for value that is of record as an encumbrance against such Building Lot prior to the recordation of a claim of lien for the Assessments. Except as expressly provided in this Article with respect to a first mortgagee who acquires title to a Building Lot, the sale or transfer of any Building Lot shall not affect the Assessment lien provided for herein, nor the creation thereof by the recordation of a claim of lien, on account of the Assessments becoming due whether before, on, or after the date of such sale or

transfer, nor shall such sale or transfer diminish or defeat the personal obligation of any Owner for delinquent Assessments as provided for in this Master Declaration.

9.6 Rights of Mortgagees Notwithstanding any other provision of this Master Declaration, no amendment of this Master Declaration shall operate to defeat the rights of the beneficiary under any deed of trust or a mortgage under any mortgage upon a Building Lot made in good faith and for value, and recorded prior to the recordation of such amendment, provided that after the foreclosure of any such deed of trust such Building Lot shall remain subject to this Master Declaration as amended.

ARTICLE X: INSPECTION OF ASSOCIATION'S BOOKS AND RECORDS

10.1 Member's Right of Inspection The membership register, books of account and minutes of meetings of the Board and committees of an Association shall be made available for inspection and copying by any Member of an Association or by such Member's duly appointed representatives, at any reasonable time and for a purpose reasonably related to such Member's interest as a Member at the office of the Association or at such other place as the Board of such Association shall prescribe. No Member or any other person shall copy the membership register for the purposes of solicitation of or direct mailing to any Member of an Association.

10.2 Rules Regarding Inspection of Books and Records The Board shall establish reasonable rules with respect to: notice to be given to the custodians of the records by the persons desiring to make the inspection; hours and days of the week when such an inspection may be made; and payment of the cost of reproducing copies of documents requested pursuant to this Article.

10.3 Director's Rights of Inspection Every director of the Board shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association, and the physical properties owned or controlled by the Association. The right of inspection by a director includes the right to make extracts and copies of documents.

ARTICLE XI: ARCHITECTURAL COMMITTEE

11.1 General Improvements on the Property shall be made in conformity with the Spring Mountain Ranch design guidelines (the "Design Guidelines"). No Improvements on any portion of the Property shall be constructed, placed or removed, except those of Grantor, without Architectural Committee approval as provided by the Design Guidelines. The Design Guidelines are designed to protect the special qualities of Spring Mountain Ranch, and to encourage creative design, by providing general architectural, design and construction guidelines (including Building Envelope guidelines), landscape guidelines (including a description of existing, natural conditions, and vegetation), submittal and review procedures, and fees and charges for review. This Master Declaration is intended to serve as authority for the Architectural Committee to use its judgment to see that all Improvements conform and harmonize as to external design, quality and type of construction, architectural character, materials, color, location on the Building Envelope, height, grade and finish ground elevation, natural conditions, landscaping and all aesthetic considerations as set forth in this Master Declaration, and Supplemental Declaration, and in the Design Guidelines. The content of the Design Guidelines may be modified and amended from time to time as provided in the Design Guidelines.

11.2 Creation: Grantor's Right of Appointment. Within thirty (30) days of the date on which Grantor first conveys a Building Lot to an Owner, Grantor shall appoint three (3) individuals to serve on the Spring Mountain Ranch architectural committee (the "Architectural Committee"). Thereafter, at any time, and from time to time, until such time as the Class B Membership is terminated, Grantor shall have the exclusive right, in Grantor's sole discretion, to appoint, remove and replace all members of the Architectural Committee. At all other times, the Board of the Master Association shall have the right to appoint, remove and replace all members of the

Architectural Committee. A Local Association shall not establish an architectural committee. If a vacancy on the Architectural Committee occurs and a permanent replacement has not yet been appointed, Grantor or the Board, as the case may be, may appoint an acting member to serve for a specified temporary period not to exceed one (1) year. A member of the Architectural Committee need not be an Owner. Members of the Architectural Committee may be removed by the person appointing them at any time without cause. The Architectural Committee shall review, study, and either approve or reject the proposed Improvements on the Property, all in compliance with the Master Declaration, any Supplemental Declaration, and the Design Guidelines. The actions of the Architectural Committee in the exercise of its discretion by its approval or disapproval of the proposed Improvements on the Property, or with respect to any other matter before it, shall be conclusive and binding on all interested parties.

11.3 Expenses All expenses of the Architectural Committee shall be paid by the applicable Association. The Architectural Committee shall have the right to charge a fee for each application submitted to it for review in an amount which may be established by the Architectural Committee from time to time and such fees shall be collected by the Architectural Committee and remitted to the applicable Association to help defray the expenses of the Architectural Committee's operation, including reasonable payment to each member of the Architectural Committee for their services as provided herein.

11.4 Non-Liability of Architectural Committee Members Approval by the Architectural Committee does not necessarily assure approval of the Improvements by any appropriate governmental or quasi-governmental agency, board or commission. Notwithstanding that the Architectural Committee has approved Improvements, plans and specifications, neither the Architectural Committee nor any of its members shall be responsible or liable to any Association or to any person, Owner, or Grantor with respect to any loss, liability, claim or expenses which may arise by reason of such approval of the Improvements, unless due to the willful misconduct or bad faith of the Architectural Committee. Neither the Board, Architectural Committee or any agent thereof nor Grantor or any of its partners, employees, agents or consultants shall be responsible in any way for any defects in any plans or specifications submitted, revised or approved in accordance with the provisions of the Project Documents, nor for any structural or other defects in any work done according to such plans and specifications. In any and all events, the Architectural Committee shall be defended and indemnified and held harmless by the Master Association in any such suit or proceeding which may arise by reason of the Architectural Committee's decision. The Master Association, however, shall not be obligated to defend, indemnify and hold harmless each member of the Architectural Committee to the extent any such member of the Architectural Committee shall be adjudged to be liable for negligence or misconduct in the performance of such member's duty as a member of the Architectural Committee, unless and then only to the extent that the court in which such action or suit may be brought shall determine that, despite the adjudication of liability, but in view of all circumstances of the case, such member is fairly and reasonably entitled to indemnification and defense for such expense if such court shall deem proper.

ARTICLE XII: EASEMENTS

12.1 Owners: Easements of Enjoyment Every Owner shall have a nonexclusive easement for the use and enjoyment of the Common Area which shall be appurtenant to and shall pass with the title to every Building Lot, subject to the easements set forth in this Master Declaration, as supplemented and amended from time to time.

12.2 Delegation of Use Any Owner may delegate, in accordance with the Project Documents, such Owner's right of enjoyment in the Common Area, to such Owner's tenants, employees, family, guests or invitees.

12.3 Recorded Easements The Property, and all portions thereof, shall be subject to all easements shown on any recorded Plat affecting the Property, or any portion thereof, and to any other easements of record or of use as of the date of recordation of the Master Declaration, as supplemented and amended from time to time.

12.4 Easements of Encroachment There shall be reciprocal appurtenant easements of encroachment as between each Building Lot and such portion or portions of the Common Area adjacent thereto, or as between adjacent Building Lots, due to the unwillfull placement or settling or shifting of the Improvements including, without limitation, structures, walkways, bike paths, sidewalks and driveways constructed, reconstructed or altered thereon in accordance with the terms of this Master Declaration. Easements of encroachment shall be valid only so long as they exist, and the rights and obligations of Owners shall not be altered in any way because of encroachments, settling or shifting of the Improvements; provided, however, that in no event shall a valid easement for encroachment occur due to the willful act or acts of an Owner. In the event a structure on any Building Lot is partially or totally destroyed, and then repaired or rebuilt, the Owners of each Building Lot agree that minor encroachments within and over adjoining Building Lots that existed prior to the encroachment may be reconstructed pursuant to the easement granted by this paragraph.

12.5 Party Walls Building Lots may include party walls, being the common walls between two Building Lots. To the extent any party wall exists, there is hereby created a common reciprocal easement for the location of such party wall. Each Owner shall have the right to use the surface of any party wall contained within the interior of the Owner's Building Lot, provided that an Owner shall not drive, place or cause to be driven or placed any nail, bolt, screw or other object into a party wall which penetrates the surface of such party wall more than one inch. The Owner shall respectively own to the centerline of any party wall. The cost of reasonable repair and maintenance of a party wall shall be shared equally by the Owners of such party wall. Such party wall shall be maintained in good condition by the Owners thereof, free of structural defects and using reasonable care to avoid injury to the adjoining property. Notwithstanding any other provisions in this paragraph, an Owner who by negligent or willful act or acts causes a party wall to be damaged and/or exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements and/or repair to such party wall. If such party wall is destroyed or damaged by fire or other casualty, either Owner may restore such party wall and if the other Owner thereafter makes use of such party wall, such Owner shall contribute one-half (1/2) of the cost of such restoration. This right of contribution shall be without prejudice to any right to call for a larger contribution under any rule of law regarding liability for negligent or willful acts or omissions.

12.6 Easements of Access Grantor expressly reserves for the benefit of all the Property reciprocal easements of access, ingress and egress for all Owners to and from their respective Building Lots for installation and repair of utility services, for drainage of water over, across and upon adjacent Building Lots and Common Areas resulting from the normal use of adjoining Building Lots or Common Areas, and for necessary maintenance and repair of any Improvement including, without limitation, fencing, retaining walls, lighting facilities, mailboxes and sidewalk abutments, trees and landscaping. Such easements may be used by Grantor, and by all Owners, their guests, tenants and invitees, residing on or temporarily visiting the Property, for pedestrian walkways, vehicular access and such other purposes reasonably necessary for the use and enjoyment of a Building Lot or Common Area.

12.7 Drainage and Utility Easements Notwithstanding anything expressly or impliedly contained herein to the contrary, this Master Declaration shall be subject to all easements heretofore or hereafter granted by Grantor for the installation and maintenance of utilities and drainage facilities that are required for the development of the Property. In addition, Grantor hereby reserves for the benefit of any Association the right to grant additional easements and rights-of-way over the Property and/or a Phase, as appropriate, to utility companies and public agencies as necessary or expedient for the proper development of the Property until close of escrow for the sale of the last Building Lot in the Property.

12.7.1 Improvement of Drainage and Utility Easement Areas The Owners of Building Lots are hereby restricted and enjoined from constructing or altering any Improvements upon any drainage or utility easement

areas as shown on the Plat or otherwise designated in any recorded document which would interfere with or prevent the easement from being used for such purpose; provided, however that the Owner of such Building Lots, and Grantor, Master Association or designated entity with regard to the landscaping easement described in this Article, shall be entitled to install and maintain landscaping on such easement areas, subject to approval by the Architectural Committee, so long as the same would not interfere with or prevent the easement areas from being used for their intended purposes; provided further, that any damage sustained to Improvements on the easement areas as a result of legitimate use of the easement area shall be the sole and exclusive obligation of the Owner of the Building Lot whose Improvements were so damaged.

12.8 Rights and Duties Concerning Utility Easements The rights and duties of the Owners of the Building Lots within the Property with respect to utilities shall be governed by the following:

12.8.1 Wherever utility house connections are installed within the Property, which connections or any portions thereof lie in or upon Building Lots owned by an Owner other than the Owner of the Building Lot served by the connections, the Owner of the Building Lot served by the connections shall have the right, and is hereby granted an easement to the full extent necessary therefore, to enter upon any Building Lot or to have their agent enter upon any Building Lot within the Property in or upon which said connections or any portion thereof lie, to repair, replace and generally maintain the connections as and when it may be necessary; and

12.8.2 Whenever utility house connections are installed within the Property, which connections serve more than one Building Lot the Owner of each Building Lot served by the connections shall be entitled to full use and enjoyment of such portions of said connections as service such Owner's Building Lot.

12.9 Driveway Easements Whenever a driveway is installed within the Property which in whole or in part lies upon a Building Lot owned by an Owner other than the Owner of the Building Lot served, or installed to serve more than one Building Lot, the Owner of each Building Lot served or to be served by such driveway shall be entitled to full use and enjoyment of such other Building Lot as required to service such Owner's Building Lot or to repair, replace or maintain such driveway.

12.10 Disputes as to Sharing of Costs In the event of a dispute between Owners with respect to the repair or rebuilding of utility connections or driveways, or with respect to the sharing of the cost therefore, upon written request of one of such Owners addressed to the applicable Association, the matter shall be submitted to the Board which shall decide the dispute and, if appropriate, make an appropriate Assessment against any or all of the Owners involved on behalf of the prevailing Owner(s), which Assessment shall be collected and enforced in the manner provided by this Master Declaration for Limited Assessments.

12.11 General Landscape Easement An easement is hereby reserved to each appropriate Association, its contractors, employees, and agents, to enter those portions of Building Lots, for the purpose of installing, maintaining, replacing and restoring exterior landscaping, and natural vegetation and habitat. Such landscaping activity shall include, by way of illustration and not of limitation, the mowing of lawns, irrigation, sprinkling, tree and shrub trimming and pruning, walkway improvement, seasonal planting and such other landscaping activities within the Property as such Association shall determine to be necessary from time to time.

12.12 Golf Course Easements Grantor hereby reserves for itself, and for the benefit of any other person or entity operating or owning the Golf Course, the Golf Course Easements designated as such on a Plat, or in a Supplemental Declaration, which shall be used for golf cart paths, pedestrian walkways, maintenance and vehicle access, and unhindered access between said paths and the Golf Course. Nothing shall be placed or maintained in any Golf Course Easements which shall interfere with utilization thereof as a playable part of the Golf Course, and all landscaping and other Improvements within a Golf Course Easement shall require the approval of the Architectural

Committee. Each Building Lot adjacent to or near the Golf Course is subject to an easement in favor of the Golf Course and golfers for the purpose of retrieving golf balls that may fall on such Building Lot. No Owner shall erect any fence or obstruction that would interfere with such retrieval.

Grantor reserves the right to grant or deed such easement rights to the person or entity operating or owning the Golf Course and to impose such additional restrictions on the Golf Course Easements at that time and from time to time as may be reasonably required to effectuate the purposes of such easements. The reservation of the Golf Course Easements is made for the benefit of Grantor, the owner and/or operator of the Golf Course, the members and invited guests of the golf club, if any, associated with the Golf Course, and for associated management, maintenance, and service personnel for Golf Course and related recreational purposes.

Each Owner understands, acknowledges, and agrees that such Owner's Building Lot may be adjacent to or near the Golf Course and that activities including, without limitation, tournaments may be held within the Golf Course. Each Owner understands, acknowledges and agrees that the location of such Owner's Building Lot adjacent to or near the Golf Course may result in nuisances or hazards to persons and property on, in and to the Building Lot as a result of normal Golf Course operations or as a result of such other activities. Each Owner covenants for itself, its heirs, successors, successors in title, and assigns that such Owner shall assume all risks associated with such location including, without limitation, the risk of property damage or personal injury arising from stray golf balls or actions incidental to such activities and shall indemnify and hold harmless any Association and Grantor from any and all liability, claims, or expenses, including attorney's fees, arising from such property damage or personal injury. Each Owner further covenants that any Association and Grantor shall have the right, in the nature of an easement, to subject all or any Building Lot to nuisances incidental to the maintenance, operation, or use of the Golf Course.

12.13 Grantor's Rights Incident to Construction Grantor, for itself and its successors and assigns, hereby retains a right and easement of ingress and egress over, in, upon, under, and across the Common Area and the right to store materials thereon and to make such other use thereof as may be reasonably necessary or incident to the construction of the Improvements on the Property owned by Grantor; provided, however, that no such rights shall be exercised by Grantor in such a way as to unreasonably interfere with the occupancy, use, enjoyment, or access to an Owner's Building Lot by that Owner or such Owner's family, tenants, employees, guests, or invitees.

12.14 Easements Deemed Created All conveyances of Building Lots made after the date of the recording of the Master Declaration, as amended and supplemented from time to time whether by Grantor or otherwise, shall be construed to grant and reserve the easements contained in this Article, even though no specific reference to such easements or to this Article appears in the instrument for such conveyance.

12.15 Waterway Easements Grantor hereby reserves for the benefit of the Master Association and the City of McCall an easement for all Waterways and related pipes, pumps and other equipment over, across and under all Building Lots and Common Areas, to the extent reasonably required to maintain any Waterway system installed by Grantor on the Property or pursuant to plans and specifications approved by the Architectural Committee. The Master Association shall have the right, but not the obligation, to maintain all Waterways to be maintained by the City of McCall, and to bill the City of McCall for all such maintenance conducted by the Master Association. Any relocation of the water lines installed as a part of such system shall not be undertaken in any way which interrupts the flow of water through the system or damages the system in any other fashion. Grantor reserves the right to make any reconfiguration of any Waterway which it determines, in its own discretion, to be necessary, expedient or desirable; provided, however, that nothing herein shall reserve unto Grantor the right to take any action which would disturb, encroach upon or endanger the foundation of any building, nor shall Grantor take any action which would materially alter any Waterway's proximity to improved property abutting such Waterway. Under no circumstances whatsoever shall the Waterways be used by any Owner, Member, tenants, invitees, and/or guests for

recreational purposes including, without limitation, wading and/or swimming.

12.16 Reservation for Expansion Grantor hereby reserves to itself and for Owners of Building Lots and Phases in all future phases of the Property a perpetual easement and right-of-way for access over, upon, and across the Property for construction, utilities, drainage, ingress and egress, and for use of the Common Area. The location of these easements and rights-of-way must be approved and may be documented by Grantor by recorded instruments.

12.17 Emergency Easement A general easement is hereby granted to all police, sheriff, fire protection, ambulance, and all other similar emergency agencies or persons to enter upon all streets and upon the Property in the proper performance of their duties.

12.18 Maintenance Easement An easement is hereby reserved to Grantor, and granted to an Association, and any member of the Board or manager, if any, and their respective officers, agents, employees, and assigns, upon, across, over, in, and under the Building Lots and Phases and a right to make such use of the Building Lots and Phases as may be necessary or appropriate to make emergency repairs or to perform the duties and functions which an Association is obligated or permitted to perform pursuant to the Project Documents, including the right to enter upon any Building Lot or Phase for the purpose of performing maintenance to the landscaping or the exterior of Improvements to such Building Lot or Phase as required by the Project Documents.

12.19 Association's Responsibility An Association shall maintain and keep the Common Area in good repair, such maintenance to be funded as provided herein. This maintenance shall include, without limitation, maintenance, repair, and replacement, subject to any insurance then in effect, of all landscaping and other flora, structures, and Improvements situated within the Common Area.

ARTICLE XIII: DAMAGE OR DESTRUCTION

13.1 Master Association as Attorney in Fact Each and every Owner hereby irrevocably constitutes and appoints the Master Association as such Owner's true and lawful attorney-in-fact in such Owner's name, place, and stead for the purpose of dealing with the Improvements on the Common Area upon damage or destruction as provided in this Article or a complete or partial taking as provided in the next Article below. Acceptance by any grantee of a deed or other instrument of conveyance from Grantor or from any Owner shall constitute appointment of the attorney-in-fact as herein provided. As attorney-in-fact, the Master Association shall have full and complete authorization, right, and power to make, execute, and deliver any contract, assignment, deed, waiver, or other instrument with respect to the interest of any Owner which may be necessary or appropriate to exercise the powers granted herein to the Master Association as attorney-in-fact.

13.2 Estimate of Damages or Destruction As soon as practical after an event causing damage to or destruction to any part of the Common Area, the Master Association shall, unless such damage or destruction shall be minor, obtain an estimate or estimates that it deems reliable and complete of the costs of repair and reconstruction of that part of the Common Area so damaged or destroyed. "Repair and reconstruction" as used in this Article shall mean restoring the damaged or destroyed Improvements to substantially the same condition in which they existed prior to the damage or destruction.

13.3 Repair and Reconstruction As soon as practical after obtaining estimates, the Master Association shall diligently pursue to completion the repair and reconstruction of the damaged or destroyed Improvements. As attorney-in-fact for the Owners, the Master Association may take any and all necessary or appropriate action to effect repair and reconstruction, and no consent or other action by any Owner shall be necessary. Assessments of the Master Association shall not be abated during any period of insurance adjustments and repair and reconstruction.

13.4 Funds for Repair and Reconstruction The proceeds received by the Master Association from any hazard insurance shall be used for the purpose of repair and reconstruction. If the proceeds of the insurance are insufficient to pay the estimated or actual cost of such repair and reconstruction, the Master Association may assess and collect in advance from all Owners a Special Assessment sufficient to provide funds to pay such estimated or actual costs of repair and reconstruction. Further assessments may be made in like manner if the amounts collected prove insufficient to complete such repair and reconstruction.

13.5 Disbursement of Funds for Repair and Reconstruction The insurance proceeds held by the Master Association and the amounts received from the Special Assessments constitute a fund for the payment of the costs of repair and reconstruction after casualty. It shall be deemed that the first money disbursed in payment for the costs of repair and reconstruction shall be made from insurance proceeds, and the balance from the Special Assessments. If there is a balance remaining after payment of all costs of such repair and reconstruction, such balance shall be distributed to the Owners in proportion to the contributions each Owner made as a Special Assessment to the Master Association under this Article or, if no Special Assessments were made, then in equal shares per Building Lot, first to the mortgagees of a First Mortgage and then to the Owners, as their interests appear.

13.6 Decision Not to Rebuild If Owners representing at least sixty seven percent (67%) of the total allocated votes in the Master Association and sixty seven percent (67%) of the mortgagees of a First Mortgage (based upon one vote for each mortgage owned) of the Building Lots agree in writing not to repair and reconstruct and no alternative improvements are authorized, then and in that event the damaged Common Area shall be restored to its natural state and maintained as an undeveloped portion of the Common Area by the Master Association in a neat and attractive condition, and any remaining insurance proceeds shall be distributed in equal shares per Building Lot, first to the mortgagees of a First Mortgage and then to the Owners, as their interests appear.

13.7 Damage or Destruction Affecting Building Lots In the event of damage or destruction to the Improvements located on any of the Building Lots, the Owner thereof shall promptly repair and restore the damaged Improvements to their condition prior to such damage or destruction. If such repair or restoration is not commenced within one hundred eighty (180) days from the date of such damage or destruction, or if repair and reconstruction is commenced but then abandoned for a period of more than ninety (90) days, then the Master Association may impose a fine of not less than fifty dollars (\$50) per day on the Owner of the Building Lot until repair and reconstruction is commenced, unless the Owner can prove to the reasonable satisfaction of the Master Association that such failure is due to circumstances beyond the Owner's control.

ARTICLE XIV: CONDEMNATION

14.1 Rights of Owners Whenever all or any part of the Common Area shall be taken or conveyed in lieu of and under threat of condemnation by the Board acting as attorney-in-fact for all owners under instructions from any authority having the power of condemnation or eminent domain, each Owner shall be entitled to notice of the taking, but the Master Association shall act as attorney-in-fact for all Owners in the proceedings incident to the condemnation proceeding, unless otherwise prohibited by law.

14.2 Condemnation: Distribution of Award; Reconstruction The award made for such partial or complete taking shall be payable to the Master Association as trustee for all Owners to be disbursed as follows: If the taking involves a portion of the Common Area on which Improvements have been constructed, then, unless within sixty (60) days after such taking Grantor and Owners representing at least sixty seven percent (67%) of the Class A Members shall otherwise agree, the Master Association shall restore or replace such Improvements so taken on the remaining land included in the Common Area to the extent lands are available therefore, in accordance with plans approved by the Board and the Architectural Committee. If such Improvements are to be repaired or restored, the

provisions in the Article immediately above regarding the disbursement of funds in respect to casualty damage or destruction which is to be repaired shall apply. If the taking does not involve any Improvements on the Common Area, or if there is a decision made not to repair or restore, or if there are net funds remaining after any such restoration or replacement is completed, then such award or net funds shall be distributed in equal shares per Building Lot, first to the mortgagees of any First Mortgage and then to the Owners, as their interests appear.

ARTICLE XV: RESOLUTION OF DISPUTES

If any dispute or question arises between Members or between Members and an Association or the Architectural Committee relating to the interpretation, performance or nonperformance, violation, or enforcement of the Project Documents, such dispute or violation may be subject to a hearing and determination by the Board.

ARTICLE XVI: MISCELLANEOUS

16.1 Term The easements created hereunder shall be perpetual, subject only to extinguishment by the holders of such easements as provided by law. The covenants, conditions, restrictions and equitable servitudes of this Master Declaration shall run until December 31, 2012, unless amended as herein provided. After December 31, 2012, such covenants, conditions and restrictions shall be automatically extended for successive periods of ten (10) years each, unless amended or extinguished by a written instrument executed by Members holding at least three-fourths (3/4) of the voting power of the Master Association and such written instrument is recorded with the Valley County Recorder.

16.2 Amendment

16.2.1 By Grantor Except as provided in paragraph 16.3 below, until the recordation of the first deed to a Building Lot in the Property, the provisions of this Master Declaration may be amended, modified, clarified, supplemented, added to (collectively, "amendment") or terminated by Grantor by recordation of a written instrument setting forth such amendment or termination. Any amendment affecting only a particular Phase may be made by Grantor by an amendment to this Master Declaration at any time up to the recordation of the first deed to a Building Lot in such Phase.

16.2.2 By Owners Except where a greater percentage is required by express provision in this Master Declaration, the provisions of this Master Declaration, other than this Article, any amendment shall be by an instrument in writing signed and acknowledged by the president and secretary of the Master Association certifying and attesting that such amendment has been approved by the vote or written consent of Owners representing more than fifty percent (50%) of the votes in the Master Association, and such amendment shall be effective upon its recordation with the Valley County Recorder. Any amendment to this Article shall require the vote or written consent of Members holding ninety-five percent (95%) of the voting power of the Master Association.

16.2.3 Effect of Amendment Any amendment of this Master Declaration approved in the manner specified above shall be binding on and effective as to all Owners and their respective properties notwithstanding that such Owners may not have voted for or consented to such amendment. Such amendments may add to and increase the covenants, conditions, restrictions and easements applicable to the Property but shall not prohibit or unreasonably interfere with the allowed uses of such Owner's property which existed prior to the said amendment.

16.3 Mortgage Protection Notwithstanding any other provision of this Master Declaration, no amendment of this Master Declaration shall operate to defeat or render invalid the rights of the beneficiary under any first deed of trust upon a Building Lot made in good faith and for value, and recorded prior to the recordation of such amendment, provided that after foreclosure of any such first deed of trust such Building Lot shall remain subject to this Master Declaration, as amended.

16.4 Notices Any notices permitted or required to be delivered as provided herein shall be in writing and may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered seventy-two (72) hours after the same has been deposited in the United States mail, first class, postage prepaid, addressed to any person at the address given by such person to the Master Association for the purpose of service of such notice, or to the residence of such person if no address has been given to the Master Association or to the address of such person as contained in the Valley County tax assessor's rolls. Such address may be changed from time to time by notice in writing to the Master Association, as provided in this paragraph 16.4.

16.5 Enforcement and Non-Waiver

16.5.1 Right of Enforcement Except as otherwise provided herein, any Owner of any Building Lot shall have the right to enforce any or all of the provisions hereof against any property within the Property and against the Owners thereof.

16.5.2 Violations and Nuisances The failure of any Owner of a Building Lot to comply with any provision hereof, or with any provision of the Project Documents, is hereby declared a nuisance and will give rise to a cause of action in Grantor, an Association or any Owner of Building Lot(s) within the Property for recovery of damages or for negative or affirmative injunctive relief or both. However, any other provision to the contrary notwithstanding, only Grantor, the Master Association, the Board, or a duly authorized agent of any of them, may enforce by self-help any of the provisions hereof, and then only if such self-help is preceded by reasonable notice to the Owner.

16.5.3 Violation of Law Any violation of any state, municipal or local law, ordinance or regulation pertaining to the ownership, occupation or use of any property within the Property is hereby declared to be a violation of this Master Declaration and subject to any or all of the enforcement procedures set forth in this Master Declaration and any or all enforcement procedures in law and equity.

16.5.4 Remedies Cumulative Each remedy provided herein is cumulative and not exclusive.

16.5.5 Non-Waiver The failure to enforce any of the provisions herein at any time shall not constitute a waiver of the right to enforce any such provision.

16.6 Use of Trademark Each Owner by acceptance of a deed for such Owner's Building Lot, whether it shall be so expressed in any such deed or other conveyance, shall be deemed to acknowledge that "Spring Mountain Ranch" is a servicemark and trademark of Spring Mountain Ranch Limited Partnership, or its licensees, and to covenant that such Owner shall not use the term "Spring Mountain Ranch" without the prior written permission of Spring Mountain Ranch Limited Partnership, or its licensees.

16.7 Interpretation The provisions of this Master Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development and operation of the Property. This Master Declaration shall be construed and governed under the laws of the State of Idaho.

16.7.1 Restrictions Construed Together All of the provisions hereof shall be liberally construed together to promote and effectuate the fundamental concepts of the development of the Property as set forth in the recitals of this Master Declaration.

16.7.2 Restrictions Severable Notwithstanding the provisions of the foregoing paragraph 16.7.1, each of the provisions of this Master Declaration shall be deemed independent and severable, and the invalidity or partial invalidity of any provision or portion thereof shall not affect the validity or enforceability of any other provision herein.

16.7.3 Singular Includes Plural Unless the context requires a contrary construction, the singular shall include

the plural and the plural the singular; and the masculine, feminine or neuter shall each including the masculine, feminine and neuter.

16.7.4 Captions All captions and titles used in this Master Declaration are intended solely for convenience of reference and shall not affect that which is set forth in any of the provisions hereof.

16.8 Successors and Assigns All references herein to Grantor, Owners, an Association or person shall be construed to include all successors, assigns, partners and authorized agents of such Grantor, Owners, Association or person.

IN WITNESS WHEREOF, the parties hereto have set our hands and seals this 21st day of September 1993.

SPRING MOUNTAIN RANCH LIMITED PARTNERSHIP, an Idaho limited partnership

Peter S. O'Neill,
President

By: O'Neill Enterprises, Inc., an Idaho corporation, its general partner

STATE OF IDAHO)

) ss.

County of Ada)

On this 21st day of September 1993, before me, the undersigned, a Notary Public in and for said State, personally appeared PETER S. O'NEILL, known or identified to me to be the President of O'NEILL ENTERPRISES, INC., an Idaho corporation and general partner of SPRING MOUNTAIN RANCH LIMITED PARTNERSHIP, the corporation that executed the instrument or the person who executed the instrument on behalf of said corporation, and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first written above.

Notary Public for Idaho • Residing at Meridian, Idaho My commission expires: June 6, 1997

Date _____

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

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DESCRIPTION OF THE SPRING MOUNTAIN RANCH PARCEL

A parcel of land, being all of the NE 14, the N 1/2 SE 14, the N 1/2 SW 14, and the S 1/2 NW 14 of Section 10, T18N, R3E, Boise Meridian, Valley County, Idaho, except a 6.841 acre parcel in the NE 1/4 NW 14 previously conveyed to the City of McCall.

Said Spring Mountain Ranch parcel, being more particularly described as follows:

BEGINNING at the northeast corner of said Section 10 marked on the ground by 5/8 inch iron pin;

thence S.0°05'11"W., 2,642.40 feet along the easterly line of said Section 10 to the east 1/4 corner of said Section 10, marked on the ground by a 5/8 inch iron pin;

thence S.0°05'50"W., 1,320.96 feet along said easterly line of Section 10 to the south 1/16 corner in said easterly line of Section 10, marked on the ground by a 1/2 inch iron pin;

thence N.89°46'59"W., 2,636.29 feet along the east-west centerline of the SW 1/4 of Section 10 to the center south 1/16 corner of same, marked on the ground by a 1/2 inch iron pin;

thence N.89°46'25"W, 2,638.62 feet along the east-west centerline of the SW 1/4 of said Section 10 to the south 1/16 corner in the westerly line of said Section 10, marked on the ground by a set stone;

thence N.0°07'44"E., 1,319.91 feet along the westerly line of said Section 10 to the west 1/4 corner of same, marked on the ground by a brass cap monument;

thence S.89°47'23"E., 1,319.66 feet along the east-west centerline of said Section 10 to the center-west 1/16 corner of same, marked on the ground by a 1/2 inch iron pin;

thence N.0°09'08"E., 1,318.40 feet along the north-south centerline of the NW 1/4 of said Section 10 to the northwest 1/16 corner of same, marked on the ground by a 5/8 inch iron pin;

thence N.0°09'08"E., 35.00 feet along said north-south centerline of the NW 1/4 of Section 10 to the point of beginning of a 6.841 acre parcel of land previously conveyed to the City of McCall;

thence S.89°45'52"E., 167.73 feet along the southerly line of said 6.841 acre parcel, being a line parallel with and 35.00 feet north of the southerly line of the NE 1/4 NW 1/4 of said Section 10; thence N.0°09'08"E., 65.00 feet along the easterly line of said 6.841 acre parcel; thence N.24°36'32"E., 732.68 feet along same;

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thence N.36°18'00"W., 229.00 feet along same to the northeasterly corner of said 6.841 acre parcel;

thence N.0°00'00"W., 335.00 feet along the northerly line of said 6.841 acre parcel to the northwesterly corner of same in the easterly line of said NE 1/4 NW 1/4 Section 10;

thence N.0°09'08"E., 368.40 feet along the easterly line of said NE 1/4 NW 1/4 to the west 1/16 corner in the northerly line of said Section 10;

thence S.89°44'21"E., 1,320.01 feet along the northerly line of said Section 10 to the north 1/4 corner of same, marked on the ground by a brass cap monument;

thence S.89°56'13"E., 2,631.46 feet along the northerly line of said Section 10 to the POINT OF BEGINNING, containing 392.461 acres more or less.

there from